

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

October 23, 2002

Mrs. Myria A. Polydorou, Vice President – Finance
Health Care Corporation
Post Office Box 5419
Spartanburg, South Carolina 29304

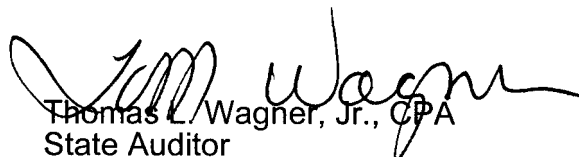
Re: AC# 3-VFT-J0 – Valley Falls Terrace, Inc. d/b/a Valley Falls Terrace Nursing Center

Dear Mrs. Polydorou:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1999 through September 30, 2000. That report was used to set the rate covering the contract period beginning October 1, 2001.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**VALLEY FALLS TERRACE, INC.
D/B/A VALLEY FALLS TERRACE NURSING CENTER
SPARTANBURG, SOUTH CAROLINA**

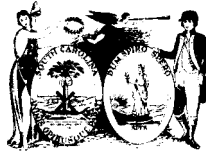
**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2001
AC# 3-VFT-J0**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 16, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Valley Falls Terrace, Inc. d/b/a Valley Falls Terrace Nursing Center, for the contract period beginning October 1, 2001, and for the twelve month cost report period ended September 30, 2000, as set forth in the accompanying schedules. The management of Valley Falls Terrace, Inc. d/b/a Valley Falls Terrace Nursing Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

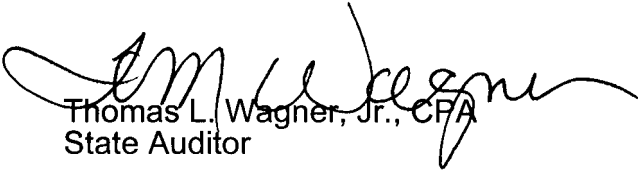
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Valley Falls Terrace, Inc. d/b/a Valley Falls Terrace Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Valley Falls Terrace, Inc. d/b/a Valley Falls Terrace Nursing Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 16, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

VALLEY FALLS TERRACE NURSING CENTER
Computation of Rate Change
For the Contract Period Beginning October 1, 2001
AC# 3-VFT-J0

10/01/01-
09/30/02

Interim Reimbursement Rate (1)	\$95.18
Adjusted Reimbursement Rate	<u>94.42</u>
Decrease in Reimbursement Rate	<u><u>\$.76</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

VALLEY FALLS TERRACE NURSING CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2001 Through September 30, 2002
AC# 3-VFT-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$45.62	\$54.59	
Dietary		10.54	11.36	
Laundry/Housekeeping/Maintenance		<u>7.62</u>	<u>9.21</u>	
Subtotal	<u>\$5.26</u>	63.78	75.16	\$63.78
Administration & Medical Records	<u>\$4.44</u>	<u>7.94</u>	<u>12.38</u>	<u>7.94</u>
Subtotal		71.72	<u>\$87.54</u>	71.72
<u>Costs Not Subject to Standards:</u>				
Utilities		1.92		1.92
Special Services		.04		.04
Medical Supplies & Oxygen		4.63		4.63
Taxes and Insurance		1.44		1.44
Legal Fees		<u>.02</u>		<u>.02</u>
TOTAL		<u>\$79.77</u>		79.77
Inflation Factor (3.80%)				3.03
Cost of Capital				7.09
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.79
Cost Incentive				5.26
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.30)
Nurse Aide Staffing Add-On 10/01/00				<u>2.78</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$94.42</u>

VALLEY FALLS TERRACE NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-VFT-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,456,423	\$ -	\$ 4,396 (3) 203 (3)	\$1,451,824
Dietary	335,900	-	571 (3)	335,329
Laundry	51,539	-	126 (3)	51,413
Housekeeping	115,120	-	257 (3)	114,863
Maintenance	76,332	-	88 (3)	76,244
Administration & Medical Records	268,089	-	395 (3) 14,852 (1)	252,842
Legal Cost	699	-	-	699
Utilities	61,109	-	-	61,109
Taxes and Insurance	45,821	-	-	45,821
Medical Supplies & Oxygen	147,555	-	68 (3)	147,487
Special Services	1,426	-	-	1,426
Cost of Capital	228,274	1,183 (5)	3,870 (2) 31 (4)	225,556
Subtotal	2,788,287	1,183	24,857	2,764,613
Ancillary	19,283	-	-	19,283
Non-Allowable	33,127	14,852 (1) 3,870 (2) 6,104 (3) 31 (4)	1,183 (5)	56,801
Total Operating Expenses	<u>\$2,840,697</u>	<u>\$26,040</u>	<u>\$26,040</u>	<u>\$2,840,697</u>
Total Patient Days	<u>31,826</u>	<u>-</u>	<u>-</u>	<u>31,826</u>

VALLEY FALLS TERRACE NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-VFT-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Administration	\$14,852	\$14,852
	To disallow working capital interest HIM-15-1, Section 202.2		
2	Accumulated Depreciation	45,126	
	Nonallowable	3,870	
	Fixed Assets		24,652
	Other Equity		20,474
	Cost of Capital		3,870
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304		
3	Nonallowable	6,104	
	Nursing		4,396
	Restorative		203
	Dietary		571
	Laundry		126
	Housekeeping		257
	Maintenance		88
	Administration		395
	Medical Supplies		68
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable	31	
	Cost of Capital		31
	To adjust depreciation expense to comply with the capital cost policy State Plan, Attachment 4.19D		

VALLEY FALLS TERRACE NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-VFT-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Cost of Capital Nonallowable	1,183	1,183
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$71,166</u>	<u>\$71,166</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

VALLEY FALLS TERRACE NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
AC# 3-VFT-J0

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.3848</u>	<u>2.3848</u>	
Deemed Asset Value (Per Bed)	37,246	37,246	
Number of Beds	<u>52</u>	<u>36</u>	
Deemed Asset Value	1,936,792	1,340,856	
Improvements Since 1981	144,935	45,509	
Accumulated Depreciation at 9/30/00	<u>(444,154)</u>	<u>(436,891)</u>	
Deemed Depreciated Value	1,637,573	949,474	
Market Rate of Return	<u>.058</u>	<u>.058</u>	
Total Annual Return	94,979	55,069	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	94,979	55,069	
Depreciation Expense	27,424	47,813	
Amortization Expense	160	111	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	122,563	102,993	\$225,556
Total Patient Days (Actual)	<u>18,806</u>	<u>13,020</u>	<u>31,826</u>
Cost of Capital Per Diem	\$ <u><u>6.52</u></u>	\$ <u><u>7.91</u></u>	\$ <u><u>7.09</u></u>

VALLEY FALLS TERRACE NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
AC# 3-VFT-J0

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$3.02
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>7.01</u>
Reimbursable Cost of Capital Per Diem	\$7.09
Cost of Capital Per Diem	<u>7.09</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

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